

Anne Skevik Grødem

Migration as a challenge to the Nordic welfare states

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Abstract

This chapter discusses three potential challenges for the Nordic welfare model caused by increased migration: (1) the Nordic model depends on high employment rates, but has features that make it particularly difficult to achieve high employment rates among immigrants, (2) public support for comprehensive welfare states can only be sustained in culturally and ethnically homogeneous societies, (3) the emphasis on gender equality and female employment may create extra tension when facing families from more traditional cultures. The issues are discussed in turn, and it is argued that while each of these may be challenges, there is no body of evidence to suggest that the Nordic countries are more vulnerable than other industrialised countries facing immigration. It is suggested that the emphasis on education and activation, general support for female employment, and transparent welfare institutions may be unique strengths that offset any particular challenges immigration poses for the Nordic welfare states.

Migration as a challenge to the Nordic welfare states

Introductionⁱ

2015 was a year of unprecedented migration to Europe. The International Organization for Migration (IOM) estimates that more than 1.000.000 migrants reached the borders of the European Union in 2015, compared to 280,000 in 2014 (Frontex 2015). The situation is seen as a considerable challenge to authorities at all levels in Europe, be they local, regional, national or European. In the short term, it is a matter of providing shelter and food for thousands of people who arrive at very short notice. In the longer term, the challenge is to include the newcomers in European societies, including their education system and labour markets. This mass influx from countries outside the EEA comes on top of high rates of intra-EEA migration, mainly from the Central- and Eastern Europe to countries in the north and west. Intra-EEA migration surged in 2004, when 10 Central- and Eastern European countries were admitted into the EU, and has stayed at a high level since (see below). While immigration from non-EEA countries is driven by humanitarian concerns, intra-EEA-migration is almost exclusively labour migration.

The combined effects of the right to free movement within the EEA and the high level of immigration from 3rd countries imply that countries in Europe, particularly in the north-west, have to get used to thinking of themselves as immigration societies. This is, to a large extent, a new situation: while there has always been some migration, mainly between neighbouring countries, the current levels are unprecedented. Moreover, there is little in the present situation to indicate that rates of migration will fall in the near future. So how are the countries in question coping with this new role in the global world? It has been suggested that immigration is a particular challenge to the Nordic countries, for reasons that are both economic and political. The Nordic countries have regulated labour markets with few low-skill / low-wage jobs that are typically accessible to newcomers, and also comprehensive welfare states which give the non-employed access to comparatively generous benefits. The public expenses incurred by non-employment imply that the Nordic welfare states depend on high employment rates, among women as well as men, yet the structure of the labour market may make employment of immigrants difficult. Simultaneously, it can be argued that comprehensive welfare are easier to develop and sustain in countries that are homogeneous, as the Nordic countries are, and thus that the political support may be undermined by increased population diversity.

The aim of this chapter is to outline how immigration challenges the Nordic model, and present evidence on how the countries in question are coping. I will discuss both economic and political challenges: economic challenges being related to processes

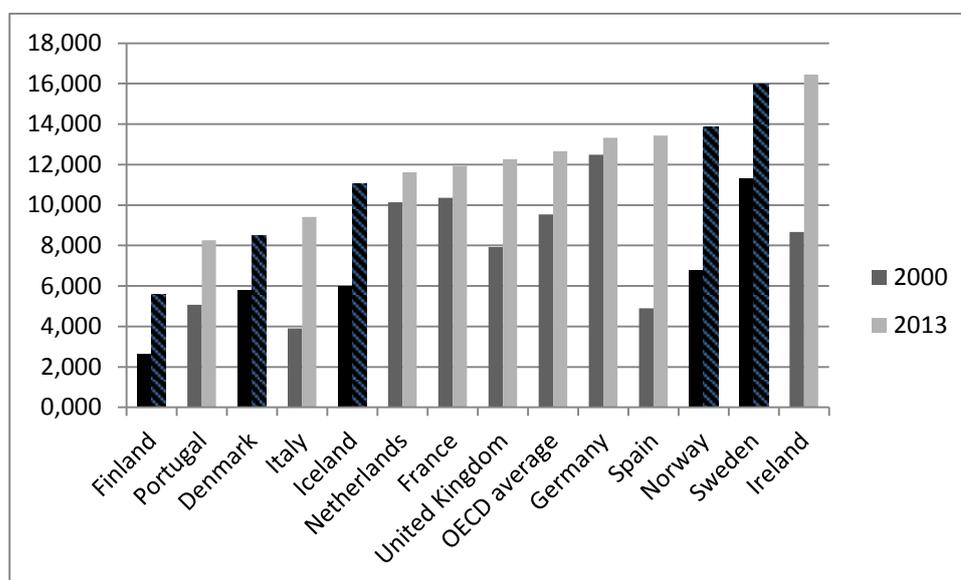
in the labour market and the interplay between labour markets and welfare states, political challenges to the conditions for public support for welfare arrangements. Throughout the chapter, I will outline the argument (“why is this assumed to be a challenge”) and review the evidence (“to what extent does this appear to be a challenge”). Also, while the “migration as a challenge”-discourse highlights the potential weaknesses of the Nordic welfare states, it should also be noted that these countries may have particular strengths when it comes to including newcomers, and I will point out these strengths underway.

In what follows, I will first review the pattern of immigration to the Nordic countries and present some key statistics. I will then move on to discussing the issues related to the labour market and the interplay between labour markets and welfare states. In the third section, I discuss the political issues of support for welfare arrangements and the sense of trust and coherence that may underpin generous (and hence expensive) welfare arrangements. Finally, I turn to the concern that the strong emphasis on gender equality in the Nordic countries makes integration of immigrants from more traditional cultures particularly difficult. In this section I also review recent changes in Nordic policies targeted at families, asking if the commitment to gender equality in such policies is softened when challenged by immigrant families. To the extent this is the case, it would indicate that the Nordic countries may become less “Nordic” in the face of immigration, and over time morph into a different welfare model. This is a different concern than the more abstract debates on long-term sustainability, but nevertheless a future scenario that can be discussed using family-oriented policies as a case.

Immigration and integration the Nordic countries

The Nordic countries vary considerably with regard to the size of their immigrant population (OECD Migration Outlook 2015). Figure 1 shows the proportion of foreign-born in the population in a selection of European OECD countries in 2000 and 2013, which is the latest year comparable data are available for.

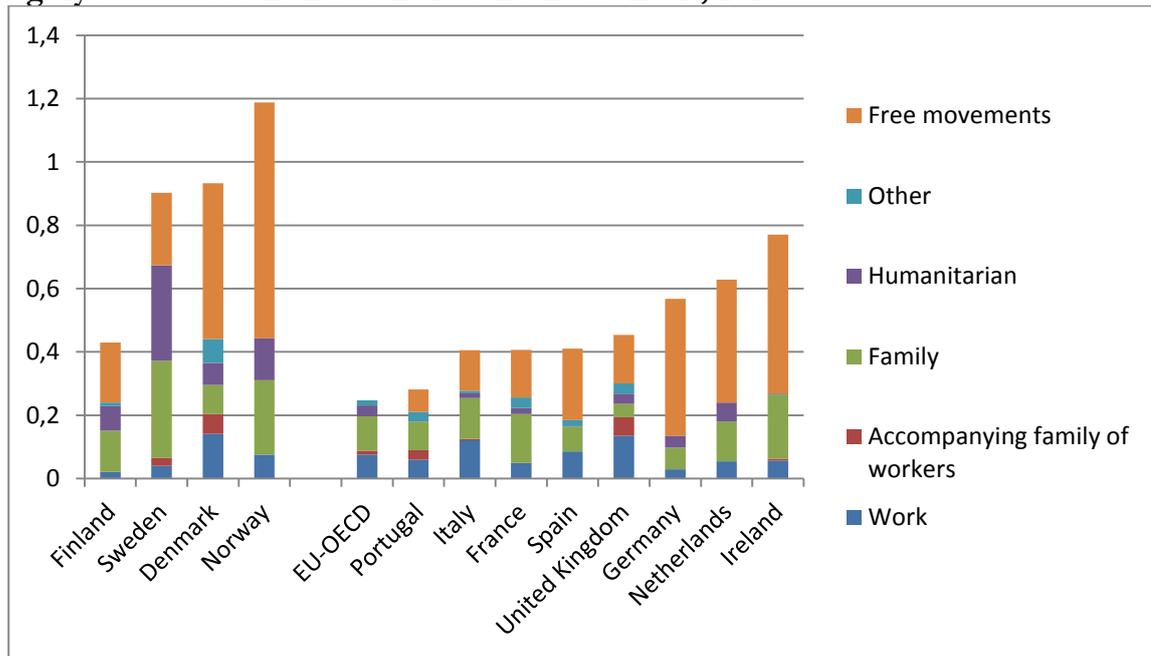
Figure 1. The foreign-born as a percentage of the total population, 2000 and 2013



In 2000, all the Nordic countries except Sweden had fewer foreign-born than the average OECD country, and the figure for Sweden was just above the OECD average (11,3 per cent compared to 9,5 per cent). By 2013, both Norway and Sweden had rates of foreign-born living in the country well above the OECD average, while Iceland was approaching OECD levels. Rates in Denmark and (especially) Finland are lower. Moreover, turning from stock to flow, immigration to the Nordic countries has been far higher than the OECD average in recent years (figure 2). Figure 2 shows immigration to the Nordic countries in 2013 by category of entry, as a percentage of the total population. Only four countries in Europe had immigration rates in 2013 that exceeded 0,9 per cent of the total population in 2013, three of those were Nordic (Norway, Sweden and Denmark – the fourth country was Switzerland). Norway in particular stands out with very high rates of “free movement”-migration, which is undoubtedly related to the fact that Norway was one of the countries in the EEA where there still was an unmet demand for labour by 2013. Rates of free movement-migration to Denmark were also among the highest in the OECD in 2013. For OECD-countries in the EU, free movement-migration between countries is cancelled out on the aggregate level. Also, the EU-OECD average is pulled downwards by countries in Central- and Eastern Europe, which have very limited migration both from the EEA and from non-EEA countries. Sweden stands out with very high proportions of humanitarian migration, and also many family migrants. Of all the European countries the OECD presents data for, Norway and

Sweden have the highest relative rates of humanitarian immigration (refugees and asylum seekers).

Figure 2. Immigration rates as a proportion of the total population, by immigrant category. Selected OECD countries and EU-OECD, 2013.



Source: OECD Migration Outlook 2015, Figure 13. Adapted

The Nordic countries have chosen quite different paths when it comes to regulating migration in recent years (Brochmann and Hagelund (eds.) 2010, Brochmann and Hagelund 2011). Finland has historically had a restrictive policy, and still has a small stock of immigrants. Finland also stands out with a high inflow of immigrants from Estonia and the Russian federation, reflecting both the geographical and the historical position of Finland. Sweden has managed relatively high levels of immigration in the entire post-war era, mainly from Finland in the early post-war years. In Norway, Sweden and Denmark, doors were open for labour migrants until the early 1970s, and all countries received workers from countries like Yugoslavia, Turkey, Morocco and Pakistan. In the early 1970s, all three countries successively tightened up their labour migrations regimes: Sweden introduced a migration stop in 1972, Denmark in 1973, and Norway in 1975. While these regulations closed the borders for low-skilled labour migrants, exceptions were made for high-skilled “expert” labour, and for family migrants wishing to reunite with those already settled. Family reunification thus became a major source of immigration after the 1970s regulations.

In all the three countries, the main approach was that settled immigrants should be granted the same social rights as natives, and should be included in existing institutions.

In Sweden and Norway, however, there was a general consensus that immigrants should also be encouraged to maintain their original culture (Brochmann & Hagelund 2011). In Sweden in particular, multiculturalism was a strong paradigm, and special measures were put in place to ensure that migrants could maintain their mother tongue, cultural traditions, and worship. A similar paradigm, through somewhat more watered-down, prevailed in Norway. In Denmark, the issue was more contentious, and the chosen strategy was to offer migrants equal opportunities within the existing system, without targeted measures to satisfy special needs.

While labour migration was the issue of the 1970s, humanitarian migration became a major issue in the 1980s, as numbers of asylum seekers rose dramatically in all three countries (Brochmann and Hagelund 2011). This brought with it a series of logistic challenges, linked to case management and the need for temporary housing of thousands of applicants, and – once residence was granted – housing and jobs for newly-arrived families. In the 1990s, it became increasingly clear that employment rates for immigrants were lower than for the population at large. Low employment rates, combined with low levels of living, became a challenge in all three countries. Sweden, and later Norway, established separate bodies to take responsibility for the integration of immigrants, while Denmark still maintained the principle of general solutions for all. In Norway and Denmark, right-wing parties sceptic of immigration enjoyed a certain electoral success, while this was not the case in Sweden until much later.

Sweden, Denmark and Norway parted ways in the 1990s, in the sense that each took a different approach to the emerging problems of low employment rates and increasing poverty among immigrants. Sweden introduced an integration program for newcomers in 1997, but this was voluntary and had relatively low take-up rates (Djuve and Kavli 2007). Stronger state control with the programs and stronger incentives were introduced in 2009, but the program is still voluntary. Settlement policies in Sweden are also voluntary, allowing newcomers to settle wherever they please, with public support. This system is controversial, as it often results in newly arrived immigrants settling with friends and family, thus promoting segregation in deprived urban areas and heavy pressure on a handful of municipalities (Brochmann and Hagelund 2011:20). Generally, activation policies targeted at immigrants in Sweden have only to a limited degree been backed by sanctions. Also, in 2008, Sweden altered its labour migration regime, allowing anyone who was offered a job on standard labour- and wage conditions the right of entry. Previously, this opportunity was only open to experts. Sweden thus comes across as the most liberal country with regard to immigration and integration policies.

Denmark introduced new measures in integration policies in 1998 (Brochmann and Hagelund 2011). Among the new measures was a plan for geographic dispersion of refugees. Refugees were settled in municipalities according to quotas, and restrictions were placed on the transfer of benefits from one municipality to the other. Municipalities were obliged to offer all non-EU immigrants an introductory course, which is a full-time programme which can take up to three years. Participants in introductory courses were

not entitled to social assistance, as immigrants had previously been, but rather received an “introductory allowance”, which was payable at a lower level than social assistance.

In Norway, newcomers are settled by a state authority, but settling refugees is voluntary for municipalities. Municipalities that do accept refugees are required to offer an introductory program, similar to the one offered in Denmark. This can take up to two years, and the participants are paid an introductory allowance. Unlike social assistance, the introductory allowance is a matter of right, and is not means-tested. A difference between Norway and Denmark, then, is that the Norwegian introductory allowance is “better” than the social assistance, while it is “worse” (i.e. lower) in Denmark. A less extensive program was introduced in 2005, involving only 300 hours education in Norwegian language and social issues. This is targeted at all long-term immigrants (except EU citizens). There are no financial incentives for participating, but future citizenship is dependent upon attendance.

Brochmann and Hagelund (2010) have described the Nordic countries as “a model with three exceptions” when it comes to immigration and integration policies. Sweden comes across as the most lenient country, Denmark as the strictest, while Norway is found somewhere in between. In the present situation, however, with very high numbers of asylum seekers in Europe, national policies change rapidly, and it is not given how these trajectories will play out in the future.

Employment rates and benefit take-up

The argument: adverse selection and perverse incentives

A key concern when immigration is discussed as a challenge to the Nordic welfare model is that the comprehensive Nordic welfare states depend on high employment rates, yet may have institutional features that makes this difficult to achieve for immigrants. Three main mechanisms are highlighted in this respect: labour market exclusion, adverse selection, and perverse incentives.

The exclusion argument emphasises the compressed wage structure in the Nordic countries. Economists Barth and Moene (2009, see also Moene 2009) convincingly argue that this follows directly from the centralised wage bargaining system, which is a key feature of the Nordic model. Centralised wage bargaining tends to create compressed wage structures because trade unions coordinate their demands before entering into negotiations with employers, and the demands must be defended faced with members of all the involved unions. Compression happens from both ends of the wage scale: low wages increase comparative to countries with decentralised systems, while high wages are relatively decreased (Barth and Moene 2009).

Labour markets with high entry-level wages can be difficult to enter for persons with low or unknown productivity. This is because, first, it will be rational for employers to try to replace the lowest-paid jobs with capital, if possible, making fewer low-skilled jobs available. Second, when it is costly to hire low-paid employees, employees want to make sure that the people who are hired have the skills and productivity to do the job properly and deliver a result that defends his or her pay. Immigrants may lack the relevant skills – most obviously literary and language skills – and/or they may find it hard to document the skills they have. Labour markets with compressed wages may therefore be harder for immigrants to get into, which creates a challenge for the Nordic welfare states.

Barth and Moene (2009) further argue that the Nordic welfare model is based on an institutional equilibrium, where the compressed wage structure is only one feature. Wage levels influence benefit levels, so that countries with “high low wages” also have high minimum benefits. The Nordic countries thus emerge as countries with high wages for low-skilled workers, and high benefits for those who are unable to work. This brings us to the second main mechanism highlighted, namely adverse selection. It has been argued (e.g. Borjas 1994) that countries with such features will be “magnets” for low-skilled immigrants, while they will be relatively less attractive to the high-skilled. There is some evidence that such self-selection takes place, mainly relating to interstate migration in the US (Borjas 1999, de Jong et al 2005), but generally effects are small. For Europe, there are no convincing studies indicating that low-skilled workers from outside the EU/EEA are more drawn to Scandinavia than to other regions (Nannestad 2007). This may, of course, at least partly be related to the lack of data. More importantly is the fact that migration to Europe is regulated, so that the possible adverse self-selection is mediated by a number of other factors, including migration control, network effects, and access to employment (Brekke and Aarset 2009, see also Nannestad 2007).

Even if there is currently limited empirical support for the adverse selection-hypothesis, it is plausible that institutional characteristics of welfare states and labour markets can influence immigrants’ behaviour once they are settled in the country. Immigrants may opt out due to perverse incentives (Koopmans 2010). It may be that employment rates of immigrants are lower than those of natives not primarily because immigrants lack the skills required and are excluded, but because immigrants opt out of the labour market because they can live relatively comfortably on social transfers.

The standard assumption in this area is that refugees’ employment rates increase over time, as they settle into their new countries and improve their language skills, while labour migrants tend to have high employment rates from the start (cf. Gerdes and Wadensjø 2012). Recent studies, based on Norwegian register data, however indicate that processes over time do not necessarily improve the situation (Bratsberg, Raaum and Røed 2010, 2011, 2014). One of these studies followed early labour migrants over time, looking exclusively at men from Pakistan, Turkey, Morocco and India who arrived in

Norway before the immigration stop in 1975 (Bratsberg et al. 2010). The first years after arrival, men from these countries had employment rates at well over 90 per cent, which exceeded those of low-skilled native men in the same age group. After 30 years of residence, employment rates for the early labour migrants had dropped to around 30 per cent, while low-skilled native men maintained employment rates of around 80 per cent. The study controls for indicators of job strain and health status, without finding significant differences. It is thus concluded that the explanation for the pattern found must be sought elsewhere.

The decrease in employment rates in the 30-year period is matched by an increase in disability pensioning (Bratsberg et al. 2010). The study thus indicates that over time, labour migrants who come to Norway from poor countries tended to leave employment and take up disability pension. One partial explanation for this is that immigrants appear to be more vulnerable to job loss during recessions than native men, and find it harder to get back into employment later. Disproportionally many labour migrants were excluded from the labour market during the recession in the mid-1980s, and disproportionately few re-entered employment in the booming 1990s. The other pattern identified is that male labour migrants who have a home-based spouse and large families are more likely to make the transition into disability pension than male migrants in different family situations. Disability pension in Norway is paid with additions for dependent spouses and children, implying that recipients with large families will receive higher pensions. The researchers thus imply that there is a certain incentive effect: labour migrants who have more to gain from disability pension than from employment, are more likely to receive disability pension. This conclusion is however tentative, and does not rule out other explanations for the same patterns. Most importantly, job strain and the strain associated with providing for a large family in an alien country have not been modelled.

A later work by the same research group (Bratsberg et al. 2014) looks at the labour market participation rates of a wider group of immigrants, including family migrants, refugees, and labour migrants from Europe. These analyses indicate that immigrants from high-income countries perform as natives, while labour migrants from low-income countries had declining employment rates over the life course. Family migrants and refugees assimilated in to the labour market gradually during their first years in Norway, but the assimilation process appeared to be exhausted after 10-15 years, at which point there still remained considerable employment gaps relative to natives (Bratsberg et al. 2014).

In the economic literature on migration and welfare states, concerns mainly relate to the welfare state as a provider of (overly generous and expensive) benefits. Paying out benefits is however not the only thing welfare states do. Particularly in the Nordic countries, there is a strong tradition for activating measures. One important aspect of this is the comprehensive education system, mainly free of charge in the Nordic countries, which has as its main aim to equip the population with the skills they need to compete in the national labour market. Another is the tradition for activation in social benefits. It is

an increasing trend that the receipt of benefit is made conditional on participation in some form of activity, be it some form of qualifying course, work training, or even medical treatment (Johansson and Hvinden 2007). The emphasis on activation has arguably been a key feature of the Nordic countries since the 1930s, and has been revived since the 1990s. The introduction programs for various groups of newly-arrived immigrants that have been implemented in Norway, Sweden and Denmark, outlined above, can be seen as one aspect of the qualifying and activating measures of the Nordic welfare state. Indeed, a Norwegian expert committee argued in 2011 that targeted efforts to quality migrants is the only way the Nordic countries can hope to maintain their regulated labour markets – and avoid the development of a second-tier low-wage labour market – in the face of international migration (NOU 2011:7).

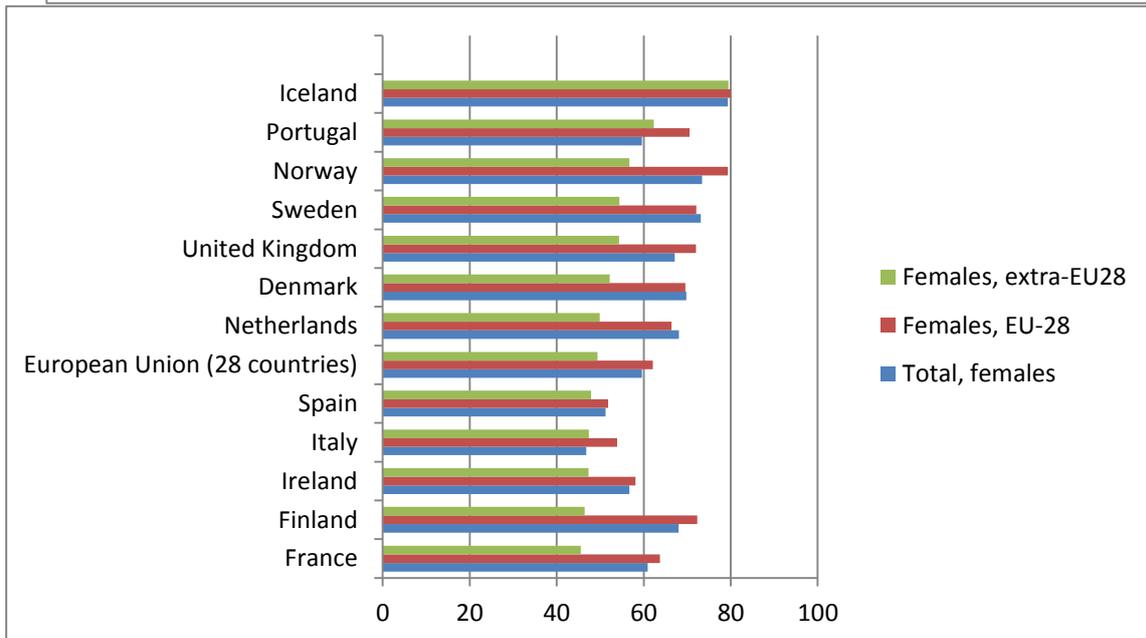
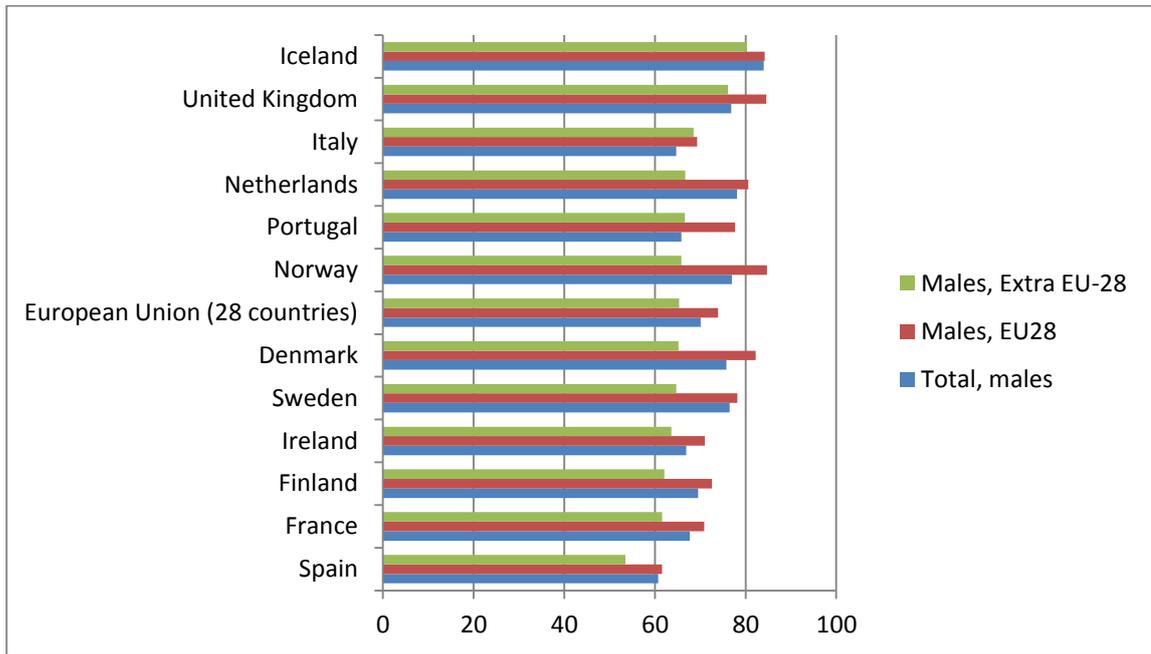
The evidence: not as bleak as predicted

In sum, then, there are features of the Nordic welfare state that may hinder the employment of immigrants (a high threshold into the labour market and perverse incentives), but also targeted efforts to counteract such hurdles (targeted introduction programs and general activation measures). So what is the verdict – do the Nordic countries succeed better than other European countries in activating migrants, or do they fail? This is a very difficult question to answer, for many reasons. One is the lack of high-quality and reliable comparative data. National statistics differ in how they operationalise immigrants, how countries are grouped, how they treat native-born children with immigrant parents, and so on. Statistics from Eurostat and the OECD tend to separate only between very crude categories, for instance, OECD differentiates only between “native-born” and “foreign-born”. It however makes little sense to lump labour migrants from neighbouring countries in Europe together with humanitarian and family migrants from Asia and Africa when comparing employment rates: labour migrants are a select group who have come to work, humanitarian migrants are far more diverse and have not been motivated by the search for employment. Also, even if reliable and comparable data could be found, the composition of the group of migrants could mean that international comparisons made little sense: if African immigrants in country A typically are skilled workers from rapidly growing economies, while Africans in country B are mainly refugees from war-torn countries, we should not be surprised if country A appears to be far more successful in including Africans in the labour market.

Keeping these pitfalls in mind, figure 3a and b present employment rates for the total population, and for two immigrants groups – EU-born and non-EU-born – for a selection of European countries. Data relate to 20–64-year olds, and rates are shown separately for men and women. For men, male migrants from EU-countries have the highest employment rates in all the countries for which data are shown. This is hardly surprising, given that these are mainly labour migrants. The same pattern occurs for women in the

majority of countries, but patterns for women are slightly more mixed. Men born in countries outside the EU have lower employment rates than men in general in all countries except Italy, but the difference is negligible in Portugal and the United Kingdom, and also small in Iceland and Ireland. The limited gap for men in these countries is probably at least partly explained by the composition of migrants: countries in Southern Europe receive labour migrants from North Africa and the Balkans, and the UK has a certain labour migration from countries in the Commonwealth. In the other countries, the proportion of humanitarian migrants among non-EU-born residents is likely to be higher. The biggest gaps between the general employment rate for men and the employment rate of male non-EU migrants are found in Sweden, the Netherlands, Norway and Denmark (all at 10-11 per cent difference). For women, the biggest employment gaps between the total and female immigrants from non-EU-countries are found in Finland (21,6 per cent), Sweden (18,7 per cent), the Netherland (18,2 per cent) and Norway (16,7 per cent). In Spain, Italy, Portugal and – strikingly – Iceland, the gap is negligible.

The evidence presented in figure 3 thus give a certain credibility to the claim that the Nordic countries do struggle to include immigrants from non-EU-countries (which roughly correspond to the categories “humanitarian migrants” and “family migrants”).



The obvious exception is Iceland, where employment rates are exceptionally high for all categories of immigrants. Iceland however barely has humanitarian migration, and migration from non-EU-countries is also to a large extent de facto labour migration (Skaptadottir 2010). Also, before drawing a strict conclusion based on employment gaps alone, it should be kept in mind that employment rates in the Nordic countries are generally high. Employment rates for men in all the Nordic countries exceed employment rates for the EU average (except in Finland, where they are similar), and for women, the differences are considerable. The employment rate for women in Norway and Sweden is at 73 per cent in both countries, which is 13 percentage points above the

EU average of 60. This suggests that even if the employment gap is wide, immigrant women from non-EU countries may still have higher odds of being in employment in the Nordic countries than in many other regions. Indeed, while 49 per cent of women in this immigrant group are in employment in the EU (average), figures for Norway, Sweden and Denmark are 57, 54 and 52 respectively (and in Iceland, an impressive 80 per cent). With regard to male employment rates, the Nordic countries cluster around the EU average of 65 per cent: 62 in Finland, 65 in Sweden and Denmark, 66 in Norway (and 80 in Iceland). This, then, can be seen as a “glass half full / glass half empty”-situation: the Nordic countries succeed as well as the rest of EU in employing immigrant men from non-EU-countries, and they succeed far better in employing immigrant women from the same region. However, because the Nordic countries as a group are exceptionally successful in employing citizens in general, and particularly women, employment rates for immigrants seem disappointing in comparison.

One reservation should be added when using these figures: the data are from the Labour Force Survey (LFS), which is a survey and relies on interviews. Respondents in general, and immigrants in particular, are to some extent self-selected: responding to a survey is not mandatory. Among immigrants, it is reasonable to assume that those who respond are the best integrated – if only for the mundane reason that they cannot be interviewed if they are unable to communicate in the majority language. It is therefore a real risk that the LFS overestimates employment rates, particularly among immigrants. Figures from Norway can illustrate this: Norway is a country with high-quality register data on labour and social issues, and published national statistics typically rely on registers rather than surveys. Statistics Norway group immigrants into two broad categories: group 1 consists of EEA, North America, Australia and New Zealand, groups 2 includes Asia, Africa, Latin-America, non-EEA Europe, and Oceania except Australia and New Zealand. Employment rates for those groups are (LFS-data in brackets)

- Men: group 1: 79,3 (84,7)
- Men, group 2: 62,7 (65,8)
- Women, group 1: 73,0 (79,3)
- Women, group 2: 53,9 (56,7)

(Source: Statistics Norway, own analyses of the web-based Statistics Bank). LFS-data report higher employment rates for all groups than register data. The data are not directly comparable given the different grouping of countries, and also different age groups (register data are presented for 20–66 year olds, compared to 20–64-year olds in the LFS), but they nevertheless indicate that the LFS tend to overestimate employment rates.

All in all, it is difficult to conclude on whether the Nordic countries really are less successful than other countries in including migrants in their labour markets. Comparable data are hard to find, and tend to provide little with regard to differences between immigrant groups. Evidence from the Labour Force Survey – which, despite their weaknesses, provide the best comparable data we have – indicates that labour

migrants have high employment rates in all European countries. Female immigrants from countries outside the EU are as likely to be in employment as women in the general population in Southern European countries, but have lower employment rates in continental Europe and the Nordic countries. This pattern is however caused as much by differences in women's general employment rates: women from outside the EU in Italy are more likely to be in employment than Italian women, but less likely to be employed than their counterparts living in Sweden or Norway. The image, then, is mixed, and available data do not allow us to finally conclude that the end result of the Nordic policy package offered to immigrants results in lower employment rates and more benefit dependence.

Social support for the welfare state

The challenges discussed so far relate to the financial sustainability of the Nordic welfare states in the face of immigration. But there are also concerns relating to what is sometimes called the political sustainability of this welfare model. These concerns typically start from the hypothesis that a homogeneous population within a country is a prerequisite for developing comprehensive welfare states (Alesina and Glaeser 2004). The differences in welfare expenditure between Europe and the US can at least partly be understood, it is argued, in the light of the much higher heterogeneity of the American population. It follows that when Europe becomes more similar to America in this respect – as it will be, as a consequence of migration – support for the welfare state will crumble. The Nordic welfare model a case in point: this model provides perhaps the most comprehensive welfare states in the world, and the population of the Nordic countries have historically been among the most homogeneous in the world. While the argument made by Alesina and Glaeser (2004) pertains to Europe as a whole, one would think the Nordic countries would be particularly vulnerable. Will the majority population in the Nordic countries be willing to pay for expensive welfare arrangements when a large group among the recipients look different from them, worships different gods and live by different cultural values? Even if the encompassing Nordic welfare model is financially sustainable when faced with immigration, could it be that it is politically unsustainable because the general support will crumble?

The argument that the Nordic welfare state is “politically unsustainable” points to two mechanisms, which can operate independently of each other. One is that heterogeneity and / or immigration changes the dynamic of the political debate, and that parties that are negative to both immigration and welfare may use these dynamics to attract new voters – bringing them into positions of power which they can use to scale down welfare arrangements. The second mechanism is simply that voters' attitudes

change when immigrants make up an increasingly large group of welfare recipients, so that they are no longer willing to support the welfare arrangements in question.

The argument typically associated with Alesina and Glaeser (2004) is of the former type: voting behaviour changes without a preceding change in underlying attitudes. The argument hinges on the assumption that certain voters are simultaneously pro-welfare and anti-immigration (or anti-minorities). Anti-welfare coalitions may then be able to split and confuse pro-welfare coalitions by “playing the race card”. Alesina and Glaeser (2004) cite several examples of this happening in American history, the strategy being particularly successful in Southern states where race conflicts run deep. This can be understood as “distraction”: certain pro-redistribution voters can in certain situations be “distracted” from their convictions on redistribution, and rather vote according to their preference for (strict) immigration policies – though their underlying attitudes remain the same.

While Alesina and Glaeser (2004) argue convincingly that such mechanisms have been important in the US at critical moments in history, there is limited evidence for this happening in Europe. One of the relatively few studies on the topic was carried out by Henning Finseraas (2012). Using data from the European Social Survey, he demonstrated that these voters – who are simultaneously pro-redistribution and anti-immigration - exist, in small or greater numbers, in all countries in Europe. Their voting behaviour is however highly dependent on context. In countries where moderate parties on the left (typically Social-Democratic) promote relatively strict policies on immigration, and the unemployment gap between foreign-born and native-born is small (that is, in countries where immigrants are most likely to be successfully integrated in the labour market), they are far more likely to vote “leftist” than in countries where these conditions are not present. Moreover, Goul-Andersen (2006) has pointed out that when anti-immigration populist parties attract voters with preferences for redistribution, these parties may change their policies on this topic accordingly. This is arguably what has happened in all the Nordic countries: immigration-sceptics in the Progress Party (Norway), the Swedish Democrats (Sweden) and Danish People’s Party (Denmark) have gained new voters in recent years, and all these parties now brand themselves as pro-welfare and concerned for the welfare state. This is perhaps particularly remarkable with regard to the Norwegian Progress party, which originated as an anti-taxation, anti-welfare initiative. The “anti-welfare” right has always been marginal in the Nordic countries, and with immigration on the political agenda, it appears that it was the right-wing populists who were distracted from their initial welfare-scepticism, rather than their voters being distracted from their pro-redistribution attitudes.

What then about the other key mechanism, that voters withdraw their support for welfare arrangements when immigration becomes a major issue? Given the access to several high-quality survey data banks in Europe, a lot of information about this is available, and there is a large and rapidly growing literature on the issue. Several hypotheses compete with regard to why this effect would occur: it may be that people in

general are more willing to share their resources with people they perceive as members of their in-group, an argument that is rooted in social psychology (Shayo, 2009). Alternatively, it is possible that willingness to share is ultimately a matter of self-interest: “I give to you today, but only because I trust that you will give to me tomorrow if I am in need”. If this is the key, willingness to share decreases in cases where people do not trust that the recipients will reciprocate – as they may not, in cases where recipients are seen as holding different values and especially if they are excluded from the labour market (Hooghe, Reeskens, Stolle & Trappers 2009). A variety of this argument is that we are more willing to redistribute if we see recipients as deserving: immigrants, who have contributed little or not at all to the national welfare project, are seen as less deserving than, for instance, the native-born elderly (van Oorschot 2008).

Despite all this, when one turns to the evidence as it occurs in survey data, the evidence that immigration to a country weakens support for welfare and redistribution in general is weak (for a recent overview, see Brady and Finnigan 2014). Public support for welfare arrangements that are already in place, and that have long traditions in a country, appears to be robust. An emerging literature suggests that the effects may actually be the opposite, that increasing immigration boost support for redistribution, at least in parts of the population. This can happen because increasing immigration increases competition for jobs, particularly in the low-skills / low-wage sections of the labour market. Increased feelings of insecurity can lead to increased demand for state welfare (Finseraas 2008, Burgoon, Koster & van Egmond 2012), something Burgoon et al. have called “the paradox of immigration”.

While there is limited evidence to support the generic hypothesis that immigration decreased support for welfare, there is certain evidence for more partial hypotheses. One is that effects occur at the local rather than on the national level. Studies from Germany (Stichnoth 2010), Sweden (Eger 2010) and Norway (Hellevik, Hellevik and Bay 2007) find that natives living in regions with large proportions of immigrants express less enthusiasm for welfare expenditure than natives in low-immigration regions. This is in line with an American study, showing that people who live close to recipients of welfare benefits with a different race background than themselves are less positive to welfare arrangements than others (Luttmer 2001). It seems plausible that people in general are more affected by what they see around them than by national figures for immigration and immigrants’ labour market inclusion, and these studies indicate that effects are indeed local and contingent.

Another emerging hypothesis is that voters in general may withdraw their support for certain forms of welfare arrangements when immigration to the country or region increases, even if they do not withdraw support for social welfare in general. Welfare states are not only machines for redistribution, they also offer insurance against common risks. Such risks include ageing, illness, and periods when responsibilities for children decreases earnings potential. Over time, it is possible that voters withdraw support for welfare arrangements they do not expect to benefit from themselves – such as

unemployment benefit or minimum income protection – while still supporting insurance benefits they expect to use at some point (cf. Miller 2006). A recent study from Norway lends some support to this hypothesis, in that it shows that there are indeed variations in the pattern of support for “welfare for the old” (old age pension, health-care, services for the old), “welfare for the young” (parental leave, the education system, child-care services) and “welfare for the vulnerable” (unemployment benefit, social assistance, disability pension and housing allowance) (Bay and Pedersen 2015). Welfare for the old is generally supported, welfare for the young somewhat less, and welfare for the vulnerable is least supported. Moreover, voters with high education and income – “the middle class” – are far more likely to support welfare for the young and old than to support welfare for the vulnerable. Bay and Pedersen (2015) suggest that this indicates that the middle class does support welfare arrangements, but they are far more concerned with insurance (for themselves and their families) than with redistribution (to others). It seems likely that such effects may occur in other segments of the population, and take on a different dynamic in cases when some welfare programs – such as social assistance – begin to gain a reputation as “immigrant programs”.

All in all, however, it seems that social support for welfare arrangements is not easily undermined. 40 years of immigration has not hindered the Nordic countries in developing the most comprehensive welfare states in the world. Two points can be made in this respect: first, timing is important (Goul Andersen 2006). Dismantling a welfare state is a very different process from developing one, or hindering one from being developed (Pierson 1996). Once established, welfare institutions change interest structures and social relations, and become a part of the social fabric in their own right. Second, welfare institutions in themselves can create or undermine feelings of solidarity and faith in the system. In particular, selective and highly means-tested welfare arrangements may undermine “social capital” in a society, while universal arrangements based on translucent criteria may contribute to upholding it (Rothstein 2001, Kumlin and Rothstein 2005). Means-testing and discretion-based decision-making easily give rise to suspicion that public funds are not well managed, and that outcomes of decisions are arbitrary. This will undermine trust in public institutions, and in turn perhaps make people less willing to pay for welfare arrangements. Universal, transparent welfare arrangements with clear eligibility criteria, on the other hand, have the potential to create trust. It is suggested, then, that Nordic welfare states not only are *built on trust* and a sense of commonality, but also that they *build trust* and a “we-feeling” through universal institutions.

Family practices and women's roles

One key topic in the Scandinavian welfare states relates to the role of women. Above, we established that female employment rates are comparatively high in the Nordic countries, but that employment rates for women from countries outside the EEA are much lower. The Nordic countries have long traditions for policies that enable mothers to work outside the home, and, since the 1990s, also for encouraging fathers to care for their children (Ellingsæter and Leira 2006). Important policies to achieve this aim have been heavily subsidised public child-care, as well as long parental leaves, of which sections are reserved for fathers. Nordic post-colonial feminists have argued that the notion of gender equality is at the core of the Nordic discourse on nationhood, and thus central in defining who belongs, and who do not belong, to the nation (Molinari et al. 2009:5). Accepting and complying with prescribed norms for gender and family practices may thus be a condition for becoming “someone who belongs”. This may in turn result in an alienation of immigrant women – to the extent these women hold other values – that runs deeper than in countries where gender equality has not to the same extent become part of the national self-image. This can be seen as a third potential challenge for the Nordic welfare model: the commitment to gender equality and equal family practices can give rise to particularly strong tensions when immigrants from more traditional societies settle in the country, creating both resentment in the majority population and feelings of alienation among immigrant families.

Several studies have shown that immigrant women – and to some extent men – tend to engage in family practices that deviate from the practices common in the native population in the Nordic countries. Studies based on qualitative interviews, both with street-level bureaucrats (Kavli et al. 2010) and with immigrant women outside employment (IMDi 2009) indicate that many immigrant mothers express little interest in employment, and find it hard to see why they should work outside the home when they have their hands full with care work and housework at home. Some immigrant women are also reluctant to leave their children in nurseries, fearing that the children will be ill if they are encouraged to play outside in winter, or that they will be served food that is unacceptable in their religion (Pettersen and Djuve 1998). When immigrant women meet public services, their practices and values are frequently challenged (Rugkåsa 2009), and the interaction can be frustrating both to the immigrant women and the caseworkers (Kavli et al. 2010). However, so far there are no studies that look at the meetings between immigrant women and public services in a comparative light, thus there is no basis for assuming that these meetings are more challenging in the Nordic countries than elsewhere. A comparative study of public debates over (Muslim) women's headscarves

however indicated that Norway, Sweden and Denmark all have retained relatively accommodating approaches, compared to other countries (Siim 2015). This study thus does not support the assumption that debates over gendered practices in a multicultural society are necessarily thornier in the Nordic countries than elsewhere in Europe. Tensions over gender roles will arise when families migrate between countries with very different policies and traditions, but as of yet there is no evidence that these tensions are particularly strong in the Nordic countries.

A different question is however how the Nordic countries respond politically to the challenges that arise when immigrant families use social welfare arrangements to shore up traditional, gender-complimentary family practices. Welfare policies adapt and change more or less continuously, and it is reasonable to assume that concerns for immigration and integration increasingly will play into the ongoing debates on incremental policy changes. In the case of the Nordic welfare states, the question also emerges: how much can those states change, incrementally or otherwise, before they must be said to have departed from the “Nordic welfare state”-path and turned into something else? Issues relating to family practices and gender roles make a good case for discussing policy changes in the light of immigration, because these policies are contested and the emphasis on gender equality is relatively new even in Scandinavia. In this final section of the chapter, therefore, I will present a brief review of recent changes in Norwegian, Swedish and Danish policies targeted at families. The underlying question is, do these countries move such policies away from the “Nordic” gender equality ideals when challenged, or do they rather tighten up the policies around these ideals?

In both Norway and Sweden, expert committees were set up around 2010 to look into the relationship(s) between immigrants and the welfare state (NOU 2011:7, SOU 2012:69). In Norway, this was the Welfare and Migration Committee (Brochmann and Grødem 2013). In its report, this committee pointed to the benefits for lone parents, the cash-for-care allowance and the additions for dependants in disability benefit as possible hurdles for better integration and higher female employment rates. The Swedish committee pointed to the unique flexibility in the Swedish parental leave scheme and the municipal cash-for-care-benefit as possible weak spots. In both countries, the committees’ arguments were heard with great interest, and policy changes were made relatively shortly after the reports were launched.

In Norway, attention turned first to the benefit system for lone parents. Norway is unique in Europe in having established separate benefits for this group, including a targeted subsistence-level benefit known as transitional allowance. Before 2012, lone parents could receive transitional allowance with no work requirement as long as they had children under 3. From 2012, an activity requirement was introduced for parents who did not have children under 1. This was in line with the recommendation from the Welfare and Migration Committee, and was hoped to counteract long periods out of employment for lone parents.

Rates of disability pensioning are comparatively high in Norway. This has been a national concern for years, but was only linked to immigration with the publication of the Bratsberg et al. (2010) study (see above). Inspired by this study, the Welfare and Migration Committee proposed to abolish the addition for spouses in disability pension, and to reduce additions for children. This suggestion was taken up by the right-wing coalition government that took office in Norway in 2013, which proposed to replace the means-tested additions for children in disability benefit with a lower, flat-rate addition (Prop. 1S, 2014-2015). This proposal was among the most controversial in the budget, and led to a hefty public debate. In the end, a compromise was reached: the means-tested additions were maintained, but a ceiling was introduced in order to ensure that no-one should have a higher income as a disability pensioner than he or she had while in employment (Innst. 81L (2014-2015)).

The cash-for-care allowance in Norway was introduced in 1998 as a flat-rate benefit paid to families with children between 1 and 3 years, on the condition that they did not use publicly-sponsored child-care. Take-up rates for the benefit have changed over time, and show a different pattern for natives and immigrants. When the benefit was first introduced, 76 per cent of eligible families who had emigrated from countries in Asia and Africa received the benefit, compared to 74 per cent of eligible families in the majority population. By 2011, the corresponding figures were 52 and 24 (Hirsch, 2010). On this background, several actors – among them the Welfare and Migration committee (NOU 2011:7) – argued that the benefit was detrimental to the inclusion of immigrants and should be abolished. In August 2012, the benefit was remodelled. Following a political compromise, the benefit was increased for one-year-olds, while it was abolished for 2-year olds.

The parental leave scheme in Sweden is unique in the Nordic countries in that it is very flexible and does not require previous contributions (though parents who have paid contributions are compensated at a higher rate). Parents can take a total of 480 days (16 months) per child. Until 2014, the 480 days could be taken at any point in time until the child was eight years old or finished the first year of schooling, whichever happened first. This flexible arrangement implied that immigrants who arrived in Sweden with one or more children under 8 were entitled to 480 days of parental leave per child, paid at the base level. This payment was conditioned on one of the parents staying at home for the duration of the leave period. For parents with more than one child, this could amount to relatively long periods, and the expert committee reporting in 2012 argued that this was detrimental to the inclusion of immigrant women in Swedish society (SOU 2012:69). On the background of the committee's recommendations, the system was changed in 2014, so that only 20 per cent of the full leave could be taken after the child's 4th birthday. From 2014 onwards, only 96 days of parental leave can be taken after the child is four – hence immigrants who arrive in Sweden with children older than 4 can take 96, not 480, days of parental leave per child.

Cash-for-care is a voluntary municipal scheme in Sweden, and about one-third of the municipalities have introduced it (Statistics Sweden, 2012). Like in Norway, immigrants from outside the EEA are overrepresented among the recipients (op.cit.) – and like in Norway, the benefit is controversial. Municipalities were enabled to establish the scheme by a conservative government, and when the the centre-left government took office in October 2014, it immediately proposed to take this opportunity away. The motion was rejected by a majority in the parliament in 2014, but passed when it was brought up again in 2015. The reason was that one of the parties in the opposition alliance (Folkpartiet) decided to break with the alliance and vote in accordance with their party program in the issue. In justifying this decision, the leader of the party argued that the benefit represented a trap for immigrant women with poor qualifications (Röstlund 2015). In the end, therefore, it may seem that concerns for immigrants' inclusion moved one party to make a strategic decision and vote to abolish cash-for-care in Sweden.

Denmark stands out among its Nordic neighbours in having introduced settlement criteria in benefits that are normally thought of as universal. This includes child benefit and social assistance. Social assistance is currently (since 2015) being paid at a lower level to immigrants, in the form on “integration benefit”. This approach is sometimes described as “welfare dualism” (Bay et al. 2013), indicating a two-track approach where residents with short residence periods are treated less favourably than those who have lived in the country for longer periods. The dualism approach can be seen as an alternative to general cut-backs in that it targets only relatively newly-arrived immigrants.

Between 2002 and 2011, under consecutive conservative governments, Denmark also implemented measures in its social assistance scheme to promote the dual-earner family: the DKK 500 cap (“kontanthjælpsloftet”) and the 225 hours rule. The DKK 500 cap implied that when both parties in a couple had been in receipt of the allowance for six months or more, their joint support should automatically be cut by DKK 500 (app. 60 EUR). This was hoped to create an extra disincentive against long-term worklessness in households. The 225 hours rule stated that when both parties in a couple received social assistance, they needed to prove that they had both performed at least 225 hours of regular (that is, not state-sponsored) paid employment in the course of the last 12 months, lest their benefit was reduced. The purpose of this rule was to put pressure on wives as well as husbands in poor couples to find employment. While the directive was general in nature, the main argument for introducing it was the low labour market participation of immigrant women (cf. Jönsson and Petersen, 2012). These measures were abolished by the Social-Democratic government that took office in 2011, and have not been reintroduced.

All in all, there is evidence that when immigrants arrive in the country and take up benefits in ways that support a traditional division of labour within the household and women's continued non-employment, such benefits are reformed and tightened up

around the principle of employment. These are however not automatic processes: the Norwegian cash-for-care benefit, for instance, survived several years of harsh criticism, and still exists in a somewhat shrunk version. Also, the Danish “two-track” approach with increased residence requirements provides an alternative to general benefit reductions. “Integration” is not necessarily given status as trump cards in welfare debates; other concerns – including poverty reduction and individual autonomy – still carry considerable force (for more detail, see Grødem (forthcoming)). In any case, no comparative studies have yet shown that such tensions are more difficult to handle in the context of Nordic welfare states than elsewhere.

Conclusion

This chapter has identified three potential weak spots of the Nordic welfare model. The first argument is economic, suggesting that the Nordic model more than other welfare models depend on high employment rates, but may have features that make it particularly difficult to achieve high employment rates among immigrants. The second argument is rooted in political science, pointing out that the comprehensive Nordic welfare states have developed in homogeneous societies, and thus may be particularly vulnerable to dwindling support in times of increasing heterogeneity. The third potential “weak spot” is that the Nordic countries have for decades placed strong emphasis on gender equality and female employment, which may create extra tension when facing families from more traditional cultures.

The discussion in the chapter suggests that while it may be true that the Nordic welfare states depend on high employment rates, evidence does not support the notion that they find it particularly hard to employ immigrants. Immigrant men and women generally have relatively high employment rates in these countries. Also, no studies have shown that conflicts over family practices and gender roles become particularly aggressive in the equality-oriented Nordic countries. Immigrant women have higher employment rates in the Nordic countries than in most other European countries, which can be seen as an indication that they, too, benefit from the general measures to support female employment. Finally, there is scant evidence for the hypothesis that increasing heterogeneity undermines political support for welfare states, and no evidence that this tendency should be particularly strong in Scandinavia – in fact, the opposite may be true.

Employment rates, employment gaps, and political attitudes change over time, and each can be measured in various ways. Clearly, there is more to be said about the ways in which immigration challenges the Nordic model. Evidence presented here however indicates that the Nordic model is relatively resilient in the face of immigration. While it is recognised that the Nordic countries face severe challenges, it should also be pointed out that the Nordic model has important strengths when it comes to promoting integration. The tradition for social investment, which is continued in the integration programs for immigrants, can be one such strength. The universal and generally

transparent benefit system can be another. Immigration from low-income countries is a challenge for all countries in Europe, but existing evidence does not support the notion that the Nordic countries are more poorly equipped to deal with these challenges than others.

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